

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: IES UTILITIES INC.	DOCKET NO. P-786
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PROPOSED DECISION AND ORDER GRANTING PERMIT

(Issued July 27, 2000)

APPEARANCES:

MS. MICHELLE ARENSON, Attorney at Law, Alliant Energy, 200 First Street SE, PO Box 351, Cedar Rapids, IA 52406-0351, appearing on behalf of IES Utilities Inc.

MS. JENNIFER C. EASLER, Attorney at Law, 310 Maple Street, Des Moines, Iowa 50319, appearing on behalf of the Iowa Department of Justice, Office of Consumer Advocate.

STATEMENT OF THE CASE

On June 4, 1991, the Iowa Utilities Board issued Pipeline Permit No. 1109 to Iowa Electric Light and Power Company, predecessor to IES Utilities Inc. (IES). (Helm report) On June 2, 1992, the permit was amended. (Helm report) On February 18, 2000, IES filed a petition for an amendment to existing Permit No. 1109 to construct, operate and maintain approximately 4.5 miles of natural gas pipeline in Marshall County, Iowa. (petition for permit; Helm report) The proposed pipeline will deliver natural gas to serve the town of Lamoille and replace the service to the Marshall County jail. (petition; Helm report; testimony of Mr. Shrimplin)

On May 19, 2000, the Board assigned this case to a presiding officer. A

procedural schedule was established by order issued on May 24, 2000. In that order, the presiding officer set July 25, 2000 as the date for the hearing on the petition. Also in that order, the presiding officer proposed to take official notice of a May 12, 2000 report concerning the pipeline prepared by Mr. Reed Helm, a utility regulatory inspector for the Utilities Division's Safety and Engineering Section.

IES caused notice of the hearing to be published in Marshall County in the Times-Republican, a newspaper of general circulation in the county, on June 20 and June 27, 2000. (proof of publication)

IES filed prepared direct testimony of Mr. Micheal Shrimplin on June 19, 2000. The Consumer Advocate Division of the Department of Justice (Consumer Advocate) waived its right to file responsive testimony and stated it did not intend to cross-examine Mr. Helm in a notice filed on June 29, 2000.

The hearing was held on July 25, 2000. Mr. Micheal Shrimplin, gas distribution engineer for the southwest quadrant of IES' gas properties in Iowa, testified on IES' behalf. (testimony of Mr. Shrimplin)

DISCUSSION OF THE EVIDENCE

IES seeks an amendment to Permit No. 1109 to construct, operate and maintain a natural gas pipeline approximately 4.5 miles long in Marshall County, Iowa. (petition for permit; Helm report) The proposed pipeline will provide new natural gas service to the town of Lamoille and replace the service to the Marshall County jail. (petition for permit; testimony of Mr. Shrimplin; Helm report)

The proposed pipeline includes approximately 2.5 miles of four-inch plastic pipeline and approximately 2 miles of two-inch plastic pipeline in Marshall County, Iowa. (petition for permit; Helm report) The four-inch pipeline will begin at a connection to an existing IES pipeline to Melbourne at the SW corner of the NW1/4 of Section 8, T83N, R19W and proceed east for two miles to the SE corner of the NE1/4 of Section 9, then south .5 mile to the Marshall County jail. The two-inch pipeline starts at the point where the four-inch pipeline turns south, continues east 1.13 miles to the SW corner of the NW1/4 of Section 11, then north .87 mile to the district regulator station for the community of Lamoille. (petition for permit; Helm report) The pipeline will have a maximum allowable operating pressure (MAOP) of 100 pounds per square inch (psi) and an actual operating pressure of 100 psi. (petition exhibit C; Helm report)

IES is obligated to construct, operate and maintain this pipeline in accordance with the standards adopted by reference at 199 IAC § 10.12(1) that include the federal natural gas pipeline safety standards found in 49 C.F.R. Part 192. Mr. Reed Helm inspected the proposed pipeline route on March 29, 2000 per Iowa Code §479.11(1999). (Helm report) He also reviewed the petition and exhibits, and concluded that the design information indicated compliance with the standards. (Helm report) Board staff will inspect construction of the pipeline to verify compliance with applicable requirements. (Helm report)

Marshall County owned the natural gas service line previously serving the jail. (testimony of Mr. Shrimplin) The line was not maintained and was on a bridge the

county is replacing this year. (testimony of Mr. Shrimplin) Bridge reconstruction began prior to the hearing in this case. (testimony of Mr. Shrimplin) Therefore, IES constructed a two-inch pipeline that ran from the south end of a Lamoille distribution line to the jail to replace the Marshall County jail line prior to the hearing and without obtaining a permit. (testimony of Mr. Shrimplin) This allowed the bridge construction to proceed without the necessity of installing a temporary bypass around the bridge. (testimony of Mr. Shrimplin) The line was built and tested to the line specifications in the permit application because IES plans to tie the line into its transmission line after a permit is issued. (testimony of Mr. Shrimplin) Since the line runs from a distribution line to the jail, IES believed it was classified as a distribution line, and that a permit was not needed prior to construction. (testimony of Mr. Shrimplin) However, IES recognized that once the line is tied into its transmission line, it will be a transmission line as defined by industry standards and federal and state rules, and a permit will be required. (testimony of Mr. Shrimplin) See ASME B31.8; 49 CFR Part 192; 199 IAC 10.16; In re: Iowa Southern Utilities Company, Docket No. DRU-90-3 (March 29, 1990).

IES owns non-pipeline property within the state subject to execution of a reasonable value in excess of \$250,000. (petition exhibit D)

ANALYSIS

Sections 479.12 and 479.26 of the Iowa Code apply to all petitions for pipeline permits. Section 479.12 provides that:

The board may grant a permit in whole or in part upon terms, conditions, and restrictions as to safety requirements and as to location and route as determined by it to be just and proper. Before a permit is granted to a pipeline company, the board, after a public hearing as provided in this chapter, shall determine whether the services proposed to be rendered will promote the public convenience and necessity, and an affirmative finding to that effect is a condition precedent to the granting of a permit.

Iowa Code § 479.12 (1999). Section 479.26 requires any applicant for a pipeline permit to establish that it has property subject to execution within Iowa, other than pipelines, of a value greater than two hundred fifty thousand dollars, or it must file and maintain a surety bond of the same amount. The applicant may satisfy this requirement in any of several prescribed ways. Iowa Code § 479.26 (1999); 199 IAC §10.2(1)(d).

Together, these statutes generate four issues: (1) whether the services the petitioner proposes to render will promote the public convenience and necessity; (2) whether it is just and proper to impose terms, conditions and restrictions involving safety requirements upon the permit; (3) whether it is just and proper to impose terms, conditions and restrictions as to location and route of the pipeline upon the permit; and (4) whether the petitioner has presented adequate proof of satisfactory financial condition. These issues will be addressed in turn.

First, the evidence shows that this pipeline is necessary to transport natural gas from a transmission pipeline owned by IES to the Marshall County jail and the town of Lamoille. (petition for permit; testimony of Mr. Shrimplin; Helm report) The Marshall County jail was previously served by a steel pipeline owned by Marshall

County and was not maintained. (testimony of Mr. Shrimplin) Replacement means the jail will be served by a plastic pipeline owned and maintained by IES. (testimony of Mr. Shrimplin) In addition, IES will be providing a safe, clean, economical fuel source to the town of Lamoille. (testimony of Mr. Shrimplin) Therefore, the service promotes the public convenience and necessity. (testimony of Mr. Shrimplin)

Second, the evidence shows that the proposed pipeline will meet applicable federal natural gas pipeline safety standards the Utilities Division has adopted at 199 IAC §10.12. (petition for permit; Helm report; testimony of Mr. Shrimplin) The evidence shows there is no reason to impose additional safety-related terms, conditions and restrictions upon the permit.

The third issue is whether terms, conditions, or restrictions as to location and route should be imposed. Iowa Code § 479.12 (1999). The evidence shows the location and route are reasonable and there is no reason the location or route of the pipeline should be changed, or that terms, conditions and restrictions regarding the location or route should be added to the permit. (petition for permit; Helm report; testimony of Mr. Shrimplin)

Finally, in accordance with Iowa Code §479.26, IES has satisfactorily demonstrated that it has property subject to execution within this state, other than pipelines, of a value in excess of \$250,000. (petition exhibit D)

IES's argument that since the line it built prior to the hearing ran from a distribution line to the jail, it was classified as a distribution line, is accepted.

(testimony of Mr. Shrimplin) ASME B31.8; 49 CFR Part 192; 199 IAC 10.16; In re:

Iowa Southern Utilities Company, Docket No. DRU-90-3 (March 29, 1990). Since the line would be operated at less than 150 psi, a permit was not needed prior to construction. 199 IAC 10.16. IES was also correct that once the line is tied into its transmission line, it will be a transmission line and a permit is required. ASME B31.8; 49 CFR Part 192; 199 IAC 10.16; In re: Iowa Southern Utilities Company, Docket No. DRU-90-3 (March 29, 1990)

FINDINGS OF FACT

1. IES Utilities Inc. is a pipeline company within the meaning of Iowa Code § 479.2 (1999). (testimony of Mr. Shrimplin)
2. On June 4, 1991, the Utilities Board issued Pipeline Permit No. 1109 to Iowa Electric Light and Power Company, a predecessor company to IES Utilities Inc. (IES). (Helm report) On June 2, 1992, the permit was amended. (Helm report) On February 18, 2000, IES filed a petition for an amendment to existing Permit No. 1109 to construct, operate and maintain approximately 4.5 miles of natural gas pipeline in Marshall County, Iowa. (petition for permit; Helm report) The proposed pipeline will deliver natural gas to serve the town of Lamoille and replace the service to the Marshall County jail. (petition; Helm report; testimony of Mr. Shrimplin)
3. IES caused notice of the hearing to be published in Marshall County in the Times-Republican, a newspaper of general circulation in the county, on June 20 and June 27, 2000. (proof of publication) IES filed proof of payment of the costs of publication of these notices as required by Iowa Code § 479.13(1999) and 199 IAC §10.4. (proof of payment)

4. This pipeline is necessary to transport natural gas from a transmission pipeline owned by IES to the Marshall County jail and the town of Lamoille. (petition for permit; testimony of Mr. Shrimplin; Helm report) The Marshall County jail was previously served by a steel pipeline owned by Marshall County and not maintained. (testimony of Mr. Shrimplin) Replacement means the jail will be served by a plastic pipeline owned and maintained by IES. (testimony of Mr. Shrimplin) In addition, IES will be providing a safe, clean, economical fuel source to the town of Lamoille. (testimony of Mr. Shrimplin) Therefore, the service promotes the public convenience and necessity. (testimony of Mr. Shrimplin)

5. The pipeline will comply with the construction, safety and design requirements of Iowa Code Chapter 479 (1999), 199 IAC §10.12, and 49 C.F.R. Part 192. (petition for permit; testimony of Mr. Shrimplin; Helm report) No further terms, conditions, or restrictions need to be imposed pursuant to Iowa Code § 479.12(1999).

6. The location and route of the proposed pipeline are reasonable and no further terms, conditions, or restrictions need to be imposed pursuant to Iowa Code § 479.12(1999). (petition for permit; Helm report)

7. IES has property subject to execution within this state, other than pipelines, of a value in excess of \$250,000, as required by Iowa Code § 479.26 (1999) and 199 IAC §10.2(1)(d). (petition exhibit D)

8. No objections to the petition for a permit were filed.

9. IES requested that the permit in this docket be issued as soon as possible because it has construction equipment waiting to proceed with construction.
(testimony of Mr. Shrimplin)

CONCLUSIONS OF LAW

1. The Utilities Board has the authority to grant, amend and renew permits for the construction, operation and maintenance of pipelines for the intrastate transportation of natural gas. Iowa Code §§ 479.1, 479.4, 479.12 and 479.18 (1999); 199 IAC §10.7.

2. The Utilities Board has jurisdiction over IES, and over the petition for an amendment of a natural gas pipeline permit it has filed. Iowa Code §§ 479.2, 479.5, 479.6, 479.12 and 479.18 (1999).

3. The petition of IES for amendment to existing Permit No. 1109 for the natural gas pipeline in Docket No. P-786 should be granted. Iowa Code §§ 479.11, 479.12, and 479.26 (1999).

IT IS THEREFORE ORDERED:

1. Official notice is taken of the report dated May 12, 2000, filed in this docket by Mr. Reed Helm, utility regulatory inspector for the Iowa Utilities Board. Iowa Code §17A.14(4)(1999).

2. Pursuant to Iowa Code Chapter 479 (1999), the petition for an amendment to existing pipeline Permit No. 1109 filed by IES in this docket is

granted. A permit will be issued if this proposed decision and order becomes the final order of the Utilities Board.

3. IES must provide timely notice before beginning construction of the parts of the pipeline not yet built, and must also file weekly progress reports during construction of the pipeline with the Utilities Division.

4. After IES completes construction of the new pipeline, it must file a construction completion report with the Utilities Division. This report must include information regarding any unusual construction problems or occurrences, and a copy of the pressure test procedures used and the results obtained.

5. Within 180 days after completion of the construction of the new pipeline, IES must file a map that accurately shows the location of the pipeline route as constructed. The map will be a part of the record in this case, and will serve as the route description in the permit granted in this proceeding.

6. The Utilities Board retains jurisdiction of the subject matter in this docket.

7. Ordinarily, this proposed decision would become the final decision of the Utilities Board unless appealed to the Board within fifteen days of its issuance. Iowa Code § 17A.15(3) (1999); 199 IAC §7.8(2). However, under appropriate circumstances, it is possible to reduce the time for appeal. 199 IAC 1.3, 7.8(2); Iowa Code §17A.15(3) (1999). IES has requested expedited treatment of this case so it can proceed with construction. No objections to this petition were filed. The Consumer Advocate does not object to a reduced appeal period. There are no

unresolved issues that indicate a need for the 15-day appeal period. **Therefore, this proposed decision will become the final decision of the Utilities Board unless appealed to the Board within five (5) days of its issuance.**

UTILITIES BOARD

/s/ Amy L. Christensen

Amy L. Christensen

Administrative Law Judge

ATTEST:

/s/ Raymond K. Vawter, Jr.

Executive Secretary

Dated at Des Moines, Iowa, this 27th day of July, 2000.